[Mr. R. Rama Varier.]

BUDGET ESTIMATES FOR 1117.

17. With these observations on the financial transactions of the current year, I shall now pass on to the Budget Estimates for the ensuing year. But before doing so, it is necessary to draw the attention of the House to the changes made in the arrangement and classification of the budget heads. These changes will be found detailed with the reasons therefor in the Memorandum. I shall therefore just refer to the more important changes as are essential for an intelligent understanding and discussion of the estimates placed for the consideration of the House. The major heads comprising the principal heads of revenue have been rearranged on the principle, as in British India that the head which, in normal times and under ordinary circumstances contributes the largest revenue to the Exchequer should come first, the others following in the order of precedence. The sale proceeds of Government lands which were hitherto being taken credit for as capital receipts will hereafter be shown as revenue receipts under a new group-head 'Extraordinary Items' for the obvious reason that sales of land are not a regular and recurrent feature of an administration and that the revenue position should not be clouded as a result of the income derived from such sales. The interest charges on the capital outlay on commercial concerns which were being debited to working expenses are now shown under the separate major head 'Interest on capital outlay on commercial services.'

18. The House will, I hope, appreciate that the preparation of an estimate with the certainty of a fall in the chief item of revenue, *viz.*, Customs and the primary need to provide for the increasing cost of a progressive administration, is indeed an unenviable task. After a full consideration of the *pros* and *cons* of the two ways of making up for the fall of revenue, *viz.*, enhancement of revenue by resort to additional taxation and reduction of expenditure by limiting it to the barest requirements, Government decided that rather than pinch the ryot with the burden of an additional tax, they would make the ends meet by a severe cut in expenditure, of course without detriment to the efficiency of administration. The fixing of a maximum limit of travelling allowance for touring officers, severe restrictions on the grant of leave and the appointment of substitutes in leave vacancies, the abolition of progressive scales of pay to temporary posts, the reduction of expenditure under office contingencies, the combination of appointments which could be amalgamated without prejudice to efficiency:—these are the more important of the retrenchment measures adopted by Government in furtherance of their policy to reduce expenditure on the administration, so as to avoid as far as possible the incidence of fresh taxation on the ryot.

19. The estimates for the ensuing year prepared in accordance with the aforesaid principles provide for a revenue receipt of Rs 280·73 lakhs and a programme of expenditure of Rs 279·23 lakhs, leaving a margin

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of Rs 1·5 lakhs. The effective surplus may however be taken to be Rs 10·5 lakhs if account is taken of the reserve of Rs 7 lakhs for emergencies and Rs 2 lakhs for the Army. The details of the budgetary provision and the variations as compared with the revised estimates for the current year will be found explained in the Budget Memorandum and I shall try to take as little of the time of the House as possible by referring only to the more prominent and outstanding features of the next year's budget anticipations.

20. As might be naturally expected in the present paralysed state of our foreign trade in common with the rest of the world, a fall in our share of the customs revenue from the Cochin Harbour next year is inevitable. To compensate for the loss of customs revenue, Government propose to levy a cess on the rubber exported from the State, which is expected to bring in a revenue of about Rs 4 lakhs. The fall in customs revenue is also expected to be covered up by increase in revenue under other heads. The more prominent of such increases are those under Currency and Mint, receipts from Electrical schemes, Forests, State Transport scheme, Porcelain Factory, Excise and Land Revenue. There are also smaller increases of revenue under some of the other heads. The anticipated increase under Currency and Mint is the gain on the mintage of silver coins to the face value of Rs 14·50 lakhs which are expected to arrive early next year. The issue of these coins is in lieu of the coins minted prior to 1105 recently withdrawn from circulation. The anticipated increase in the net receipts from the Electrical schemes is based on the expectation of a greater demand for the sale of energy, especially from industrial concerns. The anticipated increase in the receipts from the Transport scheme may require a word of explanation in view of the revised estimate of revenue under that head for the current year being considerably lower than the budget anticipations. The fall in receipts during the current year is primarily due to the abnormal increase in the working expenses as a direct consequence of the rise in the price of petrol, spare parts, etc. The cost of propulsion constitutes nearly a third of the working expenses of the department and the scheme can be made to pay its full value only by reducing the cost of running the buses. Extensive use of alcohol, the manufacture of high speed diesel oil in the University Research Laboratory and the use of charcoal gas are the measures that are being tried to achieve this end. It has been found in practice, that the cost of driving a bus by the use of charcoal gas is only 3·5 pies per mile as against 21·5 pies per mile by means of pure petrol and 18·3 pies per mile by a mixture of petrol and alcohol. Four buses are already running on charcoal gas and more buses are being equipped for such operation. With the cost of propulsion thus reduced and with further extension of the route mileage covered by the scheme, we may reasonably budget for a net receipt of Rs 2·5 lakhs from the scheme for the next year. The increase in the net receipts from the Ceramic Works at Kundara is based on the contemplated increase in the productive capacity of the factory, for which provision is made in the next year's budget on the capital side. The

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goods manufactured at the factory are reported to be of the finest quality by the experts of the Government of India and those of some of the biggest firms dealing in crockery, sanitary wares, etc. We have already secured large orders from the Government of India as well as from some of the leading Indian dealers. With such large orders and with an increased output, we may reasonably budget for a net receipt of Rs 1·80 lakhs from the factory for the next year. The fall in the revised estimate for the current year as compared with the budget estimate for the year is due to the factory having been able to start operations in full only during the course of the year. The increase of revenue under Excise is expected under Tobacco, while that under Land Revenue is on account of the Survey of Minor Circuits. I may also inform the House in this connection that arrangements are now in progress for the export of our surplus production of salt.

21. Since sending the budget to the Press, the Government have, in view of the paramount necessity to make up for the fall in our customs revenue and to provide for all emergencies at this juncture, decided to make a nominal increase in the duty on tea exported from the State. This decision has been arrived at after a full consideration of all the facts of the case. The tea industry in Travancore is in a prosperous condition and has not been hit by the war. The exports have also been steadily on the increase since 1109. The present rate of duty *viz.*, B. Re. 1-8-0 per 100 lbs. was fixed 25 years back. Since then, the duty on many agricultural products has been raised. But the duty on tea has remained the same all along. This circumstance along with the steady progress in the tea industry and the unabated price of the commodity would amply justify a substantial increase in the duty thereon. For the present, however, Government propose to increase the duty from Re. 1-8-0 to Rs. 2/—only per 100 lbs. which works out only to an increase of less than one pie per pound. It will also be remembered that the increase of duty on tea affects only the capitalists. The additional revenue expected from this source is about Rs 1·75 lakhs. When this is also taken into consideration, our effective revenue surplus at the close of the ensuing year will be over Rs 12 lakhs.

22. Turning to the expenditure side, the provision included in the budget for the next year is Rs 11·62 lakhs in excess of the revised estimate for the current year. This increase is but the natural development of a progressive administration. The more important of the increases are under General Administration, Education, Devaswoms, Currency and Mint and Army. The increase under General Administration is only apparent and represents the result of the transfer of Treasury control from the Land Revenue to the Finance Department and is offset by a corresponding reduction of expenditure in the former department. The Murajapam Ceremony which comes once in six years accounts for the increase under Devaswoms. Under Currency and Mint the increase represents the loss on minting, being the difference between the face value and the bullion value of the silver coins prior to 1105 recently withdrawn from circulation.

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23. A reserve provision of Rs 9 lakhs has also been made in the next year's budget—Rs 2 lakhs under Army and Rs 7 lakhs under th new head 'Reserve with Government for emergencies.' I hope the necessity for this reserve will be readily conceded by the House when it is remembered that these are days when unforeseen and emergent situations may arise at any moment, which from political, military and other considerations, we cannot afford to ignore consistent with our own interests and our duty to His Majesty.

24. Before passing on to Capital Expenditure, I shall refer to some of the more salient features of the departmental activities calculated to ameliorate the condition of the people or to conserve the resources of Government, either by a reduction of expenditure or an enhancement of revenue.

Land Revenue and Income Tax.

25. As a measure of economy and in view of a large portion of the duties assigned to the Land Revenue and Income Tax Commissioner when the post was created in 1921 having been since transferred to other departments from time to time, it has been decided to abolish that post. The Division Peishkars, the Deputy Commissioner of Income-tax and the Superintendent, Travancore Survey, will work directly under the orders of Government. Mention has already been made of the transfer of the control of Treasury from the Land Revenue Department to the Finance Department.

Forests.

26. The Development Department having been amalgamated with the Forest Department, the latter department is now devoting its attention to the *scientific* treatment of timber and the manufacture, on a commercial scale, of plywood. As there is a great demand now for plywood, Government have in contemplation the grant of a subsidy to the extent of Rs 2 lakhs to any Joint Stock concern that will come forward to take up the manufacture of plywood. Negotiations in this behalf are already in progress.

27. A five-year plan has been recently organised for the development of our forest resources. The first year's programme which is to be taken up next year comprises experimental artificial regeneration of beedi leaf plant, and soft wood such as elavu, mahogany and cheeni, cinchona cultivation, experiments on making defibrated boards from reeds, tentative working plans for teak plantations and sandal wood and for the supply of reeds and fuel to the Punalur Paper Mills and also experimental natural regeneration of evergreen plants. A scheme for the large scale production of honey from the forests has also been started about the middle of the current year. When in the fulness of time all these activities are completely developed, there is every reason to expect that they will help not only to augment the Government's income from their forests by tapping their hidden resources but will also provide employment to a large number of people.

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